

**ASSEMBLY BILL**

**No. 1554**

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**Introduced by Assembly Member Jones**

February 23, 2007

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An act to add Section 1385.1 to the Health and Safety Code, and to add Section 10181 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1554, as introduced, Jones. Health care coverage: rate approval.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene act), provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Under existing law, no change in premium rates or coverage in a health care service plan or a health insurance policy may become effective without prior written notification of the change to the contractholder or policyholder. Existing law prohibits a plan and insurer during the term of a plan contract or policy from changing the rate of the premium, copayment, coinsurance, or deductible during specified time periods.

This bill would require approval by the Department of Managed Health Care or the Department of Insurance of an increase in the amount of the premium, copayment, coinsurance obligation, deductible, and other charges under a health care service plan or health insurance policy.

Because the bill would specify an additional requirement under the Knox-Keene act, the willful violation of which would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 1385.1 is added to the Health and Safety  
2     Code, to read:

3     1385.1. (a) The following definitions apply for the purposes  
4     of this section:

5     (1) “Applicant” means a health care service plan seeking to  
6     increase the rate it charges its subscribers.

7     (2) “Rate” includes, but is not limited to, premiums, copayments,  
8     coinsurance obligations, deductibles, charges, and the cost of  
9     coverage per exposure base unit.

10    (b) No applicant shall increase the rate it charges a subscriber  
11    unless it submits an application to the department, and the  
12    application is approved by the department.

13    SEC. 2. Section 10181 is added to the Insurance Code, to read:

14    10181. (a) The following definitions apply for the purposes  
15    of this section:

16    (1) “Applicant” means a health insurer seeking to increase the  
17    rate it charges its policyholders.

18    (2) “Rate” includes, but is not limited to, premiums, copayments,  
19    coinsurance obligations, deductibles, charges, and the cost of  
20    insurance per exposure base unit.

21    (b) No applicant shall increase the rate it charges a policyholder  
22    unless it submits an application to the department, and the  
23    application is approved by the department.

24    SEC. 3. No reimbursement is required by this act pursuant to  
25    Section 6 of Article XIII B of the California Constitution because  
26    the only costs that may be incurred by a local agency or school  
27    district will be incurred because this act creates a new crime or  
28    infraction, eliminates a crime or infraction, or changes the penalty  
29    for a crime or infraction, within the meaning of Section 17556 of  
30    the Government Code, or changes the definition of a crime within

1 the meaning of Section 6 of Article XIII B of the California  
2 Constitution.

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